

# THE LEGISLATOR AS CONTROLLER OF THE PURSE STRINGS

## *How Legislators Shape Policy through the Budget Process*

Overview .....	F-1
RESOURCES TO ASSIST THE LEGISLATOR - FISCAL MATTERS .....	F-3
<i>How Staff Can Help House Members with Money Issues</i>	
HLS Fiscal Division .....	F-3
Legislative Fiscal Office .....	F-3
Legislative Auditor .....	F-4
Legislative Actuary .....	F-5
REVENUE AND BONDED INDEBTEDNESS .....	F-7
<i>Key Facts about Sources of Revenues and Incurring Debt</i>	
Ways and Means Committee .....	F-7
Major State Revenue Sources .....	F-8
Bonded Indebtedness .....	F-8
Debt Limit .....	F-8
THE BUDGET PROCESS .....	F-11
<i>The State Budget Process and the Legislature's Role in Planning, Adoption, and Oversight</i>	
Budget Planning and Preparation .....	F-11
State Fiscal Year .....	F-11
Revenue Estimating Conference .....	F-12
Expenditure Limit .....	F-12
Executive Budget .....	F-12
Performance-Based Budgeting .....	F-13
Budget Enactment .....	F-13
Appropriations Committee .....	F-13
Types of Appropriation Bills .....	F-13
Interim Budget Procedures .....	F-14
Joint Legislative Committee on the Budget .....	F-14
Avoidance of Budget Deficits .....	F-15
Interim Emergency Board .....	F-16
THE CAPITAL OUTLAY PROCESS .....	F-17
<i>The Capital Outlay Process and the Legislature's Role in Deciding Priorities and Funding of Construction Projects</i>	
Priority Programs .....	F-17
Requests and Evaluation .....	F-17
Legislative Process .....	F-18
Funding Order .....	F-18

# THE LEGISLATOR AS CONTROLLER OF THE PURSE STRINGS

## *How Legislators Shape Policy through the Budget Process*

### OVERVIEW

The legislator as an individual and the legislature in general shape the policy of the state through control of the purse strings, specifically through the formulation of the operating and capital outlay budgets. The constitution vests the authority for appropriation of state monies and the power of taxation solely with the legislature.

### SELECTED CONSTITUTIONAL PROVISIONS

The constitution provides the framework by which the legislature controls the purse strings.

- g No money shall be withdrawn from the state treasury except through a specific appropriation made in accordance with law.
- g No appropriation shall be made under the heading of contingencies or for longer than one year.
- g Appropriations by the legislature from the state general fund or from dedicated funds shall not exceed the official forecast of the Revenue Estimating Conference or the expenditure limit.
- g All bills raising revenue or appropriating money shall originate in the House of Representatives.
- g The power of taxation shall be vested in the legislature and shall never be surrendered, suspended, or contracted away, and shall be exercised for public purposes only.
- g Unless otherwise authorized by the constitution, the state shall have no power to incur debt or issue bonds except by law enacted by two-thirds of the elected members of each house of the legislature.

Areas of particular importance in understanding the legislature's exercise of this policy-making role through the budget process are detailed in the following pages and include these sections:

### g **Resources to Assist the Legislator - Fiscal Matters**

In handling this important responsibility, the House of

Representatives has a number of resources available to it, including the Fiscal Division of House Legislative Services, the Legislative Fiscal Office, the Legislative Auditor, and the Legislative Actuary. A description of the responsibilities and services of each office is provided.

g **Revenue and Bonded Indebtedness**

A summary of major state revenue sources, requirements for incurring debt, limitations on state debt, and the jurisdiction of the Ways and Means Committee is provided.

g **The Budget Process**

The operating budget process is described, including adoption of the official revenue forecast, content and submission of the executive budget, jurisdiction of the Appropriations Committee, types of appropriation bills, and interim budget procedures. The composition and responsibilities of the Joint Legislative Committee on the Budget and the Interim Emergency Board are summarized.

g **The Capital Outlay Process**

This section discusses the requirements for submission of capital outlay requests, the approval process for late requests, the sources of funding (means of finance) for capital outlay projects, the general obligation bond priorities contained in the capital outlay bill, statutorily established priority programs, and the legislative process for consideration of the capital outlay budget.

## RESOURCES TO ASSIST THE LEGISLATOR – FISCAL MATTERS

### *How Staff Can Help House Members with Money Issues*

In handling the important responsibility as controller of the purse strings, the House of Representatives has a number of resources available to it. Each member may seek assistance from the Fiscal Division of House Legislative Services, the Legislative Fiscal Office, the Legislative Auditor, and the Legislative Actuary. Additionally, many other state and national sources of information and assistance are available.

#### **HLS FISCAL DIVISION**

The Fiscal Division of House Legislative Services provides staff for the Appropriations and Ways and Means Committees and their members. The division also has a staff of budget analysts who specialize in specific areas of governmental finance. In addition, the Fiscal Division staff provides assistance to all House members in matters dealing with the jurisdiction of these committees and with state fiscal policy issues. These services provided by the staff include:

- g Legislative instruments – Drafting bills and resolutions, including amendments.
- g Committee staffing – Analysis of legislation referred to committees and coordination and management of committee functions.
- g Budget analysis – Analysis and evaluation of fiscal and budgetary information, including the governor's budget recommendation, and performance data related to the operation of state government.
- g Research – Performance of fiscal research and policy analysis, legal research concerning the state budget and revenue issues, and other research as requested by committees or members of the House.

#### **LEGISLATIVE FISCAL OFFICE**

In accordance with the general direction and supervision of the Joint Legislative Committee on the Budget (Budget Committee), the Legislative Fiscal Office duties and functions include the following:

- g Analysis of the annual budgets prepared by the executive branch and recommendations thereon to the Budget Committee and the legislature.
- g Continuous short and long-range revenue and expenditure projections.
- g Preparation of fiscal notes for proposed legislation, which detail the legislation's effect on state revenues and expenditures.
- g Review of requests for budget adjustments (BA-7s) and

recommendations to the Budget Committee as to the merits of such requests.

- g Review of rules and regulations by the executive branch and informing the legislature and the public as to the fiscal and economic impact of such proposed rules and regulations.
- g Evaluation of requests submitted to the Interim Emergency Board and recommendations of approval or disapproval.
- g Responding to fiscal information requests of committees and individual legislators to the extent practical.
- g Analysis of the reported performance of executive branch agencies and report to the Performance Review Subcommittee of the Budget Committee on results.

#### LEGISLATIVE AUDITOR

The constitution provides that the legislative auditor shall serve as a fiscal advisor to the legislature and perform duties and functions provided by law related to auditing fiscal records of the state, its agencies, and political subdivisions (*Const. Art. III, §11*). The auditor is elected by a majority vote of the elected members of each house and may be removed by a two-thirds vote of those members. The basic functions of the office of the legislative auditor (*R.S. 24:511 et seq.*) encompass the following:

- g Audit of books and accounts of the state treasury, and other public entities, departments, and political subdivisions, the scope of which may include certification of financial accountability, legal compliance, and evaluations of the economy, efficiency, and effectiveness of the entity audited.
- g Audit of the accounts and records of each tax collector at least once a year.
- g Audit of a municipality or any public, quasi public, or private agency receiving state funds when requested to do so by the Legislative Audit Advisory Council, the legislature, or a grand jury.
- g Determination of all funds in the state treasury.
- g Submission to the legislature and the governor, prior to each regular session, of a written statement of the financial condition of the state treasury at the close of the preceding fiscal year, with an itemized estimate of the anticipated revenues for the current and the succeeding fiscal year.
- g Preparation of fiscal notes for proposed legislation affecting the

expenditures of local government and the receipts and expenditures of any state board or commission which is not appropriated state funds.

- g Conduct of performance audits, program evaluations, and other studies as needed to enable the legislature to evaluate the efficiency, effectiveness, and operation of state programs.

The legislative auditor fills the role of state auditor and reporter on the financial affairs of the state. In fulfilling these functions, the legislative auditor is aided and advised by the Legislative Audit Advisory Council.

#### **LEGISLATIVE ACTUARY**

The legislative actuary serves as an advisor to the legislature on issues related to public retirement systems. The basic functions of this office (R.S. 24:521) encompass the following:

- g Preparation of actuarial notes, which are estimates of the immediate and long-range financial and actuarial effects of proposed legislation relative to any state, parochial, or municipal retirement system funded wholly or partially from public funds.
- g Responding to requests for actuarial information requests of committees and individual legislators.



## REVENUE AND BONDED INDEBTEDNESS

### *Key Facts about Sources of Revenues and Incurring Debt*

#### CONSTITUTIONAL PROVISIONS RELATING TO REVENUE MEASURES

- g All bills raising revenue shall originate in the House of Representatives.
- g The levy of a new tax, an increase in an existing tax or a repeal of an existing tax exemption shall require the enactment of a law by two-thirds of each house of the legislature.
- g Any new fee or civil fine or increase in an existing fee or civil fine, except by a department headed by a statewide elected official, also must be enacted by a two-thirds vote of the legislature.
- g Regular sessions convening in odd-numbered years are restricted to consideration of legislation enacting the General Appropriation Bill and the comprehensive capital budget, or to make an appropriation; levy or authorize a new tax or increase in an existing tax; levy, authorize, increase, decrease, or repeal a fee; dedicate revenue; legislate with regard to tax exemptions, exclusions, deductions, repeals, or credits or to the issuance of bonds. In addition, each member may introduce up to five matters which are not within the subject matter restrictions on such session if it is prefiled or is a local or special law which is not prohibited and has been advertised.
- g No measure levying or authorizing a new tax by the state or a political subdivision whose boundaries are coterminous with the state, increasing an existing tax by such entities or legislating regarding tax exemptions, exclusions, deductions or credits may be introduced or enacted during regular sessions held in even-numbered years.
- g A political subdivision of the state shall not levy a severance tax, income tax, inheritance tax, or tax on motor fuel.

#### WAYS AND MEANS COMMITTEE

The subject matter jurisdiction of the Ways and Means Committee encompasses taxes and the raising of revenue; bonds and the bonding of revenue, including issuance, payment or retirement of bonds; evidences of indebtedness; the Department of Revenue; revenue collection; assessors; parish tax collectors; and the bond portion of the comprehensive state capital budget.



## MAJOR STATE REVENUE SOURCES

The total state budget from all means of financing for Fiscal Year 2003-2004 is \$16.8 billion, of which \$6.373 billion is federal funds and \$10.405 billion is state funds, including the State General Fund, dedicated funds, and fees and self-generated revenues. The amount of the State General Fund as forecast by the Revenue Estimating Conference is \$6.480 billion. The major revenue sources are sales tax, individual income tax, corporate income and franchise taxes, gaming revenues, gasoline tax, and severance tax. The state constitution sets a rate limit on the individual income tax and the motor vehicle license tax, requiring a constitutional amendment to increase the tax rate of these two revenue sources.

## BONDED INDEBTEDNESS

The state may incur debt or issue bonds only by law enacted by two-thirds of the members of each house of the legislature, and then only if the funds are to be used for any of the following purposes: to repel invasion, suppress insurrection, provide relief from natural catastrophes, refund outstanding indebtedness at the same or a lower effective interest rate, or make capital improvements in accordance with the comprehensive capital budget adopted by the legislature. The legislature may also, by a two-thirds vote of each house, propose a statewide public referendum to authorize incurring of debt by the state for any purpose for which the legislature is not authorized to incur debt. All state general obligation bonds and certain bonds of state agencies, boards, and commissions which are secured by the full faith and credit of the state are secured by the Bond Security and Redemption Fund (*Const. Art. VII, §6 and §9 (B)*).

No bonds or other obligations are to be issued or sold by the state directly or through any state board, agency, or commission, or by any political subdivision of the state, unless prior written approval of the **State Bond Commission** is obtained (*Const. Art. VII, §8*).

The membership of the Bond Commission is as follows: the state treasurer, who serves as chairman; the governor; the lieutenant governor; the secretary of state; the attorney general; the commissioner of administration; the president of the Senate; the speaker of the House; the chairmen of the Senate Finance Committee, the House Appropriations Committee, the Senate Revenue and Fiscal Affairs Committee, and the House Ways and Means Committee; and two members of the legislature to be appointed one each respectively by the President of the Senate and Speaker of the House.

## DEBT LIMIT

Louisiana's debt limit is established so that for Fiscal Year 2003-2004 and thereafter the amount necessary to service outstanding net state tax-supported debt (NSTSD) does not exceed 6% of the estimated money to be received by the state general fund and dedicated funds

contained in the official forecast of the Revenue Estimating Conference (*Const. Art. VII, §6(F) and R.S. 39:1367*). The most recent status report (2/20/03) on NSTSD indicates that for Fiscal Year 2003-2004 the actual amount necessary to service such debt is 5.1%.

R.S. 39:1365(25) provides that the legislature may not authorize general obligation bonds if the amount authorized but unissued plus the amount outstanding exceeds two times the average annual revenues in the Bond Security and Redemption Fund for the last three fiscal years. R.S. 39:1402(D) provides that the bond commission shall not issue bonds secured by the full faith and credit of the state at any time when the highest annual debt service requirement for the current or any subsequent fiscal years exceeds ten percent of the average annual revenues of the Bond Security and Redemption Fund for the last three fiscal years.



# THE BUDGET PROCESS

## *The State Budget Process and the Legislature's Role in Planning, Adoption, and Oversight*

### **Constitutional Provisions Relative to Appropriations**

- g The general appropriation bill shall be itemized and contain only appropriations for the ordinary operating expenses of state government. All other appropriations shall be for a specific purpose and amount.
- g The governor may veto any line item in an appropriation bill.
- g The governor shall submit to the legislature a budget estimate for the next fiscal year setting forth all proposed state expenditures, which shall not exceed the official forecast of the Revenue Estimating Conference and the expenditure limit for the fiscal year.
- g The governor shall cause to be submitted a general appropriation bill for proposed ordinary operating expenditures which shall be in conformity with the recommendations for appropriations contained in the budget estimate.
- g Appropriations by the legislature from the state general fund or from dedicated funds shall not exceed the official forecast of the Revenue Estimating Conference or the expenditure limit.
- g The appropriation of any money designated in the official forecast as nonrecurring shall be made only for the purpose of early retirement or defeasance of state debt, payments on the unfunded accrued liability of public retirement systems, capital outlay, deposit into the Budget Stabilization Fund and the Wetlands Conservation and Restoration Fund, or for new highway construction for which federal matching funds are available.
- g Appropriations shall be made only for a public purpose.

### **BUDGET PLANNING AND PREPARATION**

#### **STATE FISCAL YEAR**

The state fiscal year for which appropriations are made begins on July 1 and ends on June 30.

**REVENUE  
ESTIMATING  
CONFERENCE**

The Revenue Estimating Conference establishes an **official revenue estimate** for use by the governor and the legislature in preparing and adopting the budget for each fiscal year, including designation of money that is nonrecurring. The principals of the conference are the governor, the president of the Senate, the speaker of the House, and a faculty member with revenue forecasting expertise from a public or private university in the state. Any final action establishing the official estimate must be made by a unanimous decision of the conference principals. Any change to add members to the conference or change to the unanimous vote requirement must be made by law enacted by two-thirds of the members of each house.

**Appropriations or expenditures** for any fiscal year **shall not exceed the official estimate** adopted by the conference. The conference is to meet quarterly and also at any time two principals suggest that a possible revision of the estimate be considered (*Const. Art. VII, §10(A)(B)(D)*).

**EXPENDITURE LIMIT**

The expenditure limit for a fiscal year is the limit for the previous fiscal year plus an amount equal to a positive growth factor. The growth factor is the average annual percentage rate of change of personal income for Louisiana for the three calendar years prior to the fiscal year for which the limit is calculated (*Const. Art. VII, §10(C)*).

**EXECUTIVE BUDGET**

The **governor** is responsible for preparation of an **executive budget** presenting a complete financial and programmatic plan for the ensuing fiscal year based upon the official estimate of the Revenue Estimating Conference. The executive budget is a summary document which is to clearly present and highlight the programs operated by state government and financial requirements associated with each. It is accompanied by a supporting document which provides additional detail on the budget and performance recommendations for each program.

A copy of the executive budget is transmitted to the Joint Legislative Committee on the Budget no later than 45 days prior to each regular session and to each member of the legislature on the first day of each regular session. (In the year of a first regular session of a new legislative term, the executive budget is provided to the Budget Committee 30 days prior to the start of the session.) Any **proposals** by the governor **to enhance revenues** beyond the official estimate must be submitted separate and apart from the executive budget and include a description of the proposed uses and programmatic impacts of the enhanced revenues.

No later than November 15 of each year, each budget unit (state agency) must submit to the governor its budget request for the coming fiscal year. The executive budget office analyzes the budget requests and other information in preparing the executive budget.

## PERFORMANCE-BASED BUDGETING

By law the state budget is a performance-based budget. Key objectives and performance targets for each program are included in the executive budget and the appropriation bill, linking performance expectations to funding levels of each program to enhance accountability. Additional supporting objectives and performance targets are included in the executive budget supporting document. Agencies are required to report during the year on progress toward meeting their performance targets.

## BUDGET ENACTMENT

### APPROPRIATIONS COMMITTEE

The Appropriations Committee has nineteen members: one member elected from each of the congressional districts of the state by House members from the district and the remaining members appointed by the speaker, of whom one is appointed from each of the five Public Service Commission districts and seven at large.

The subject matter jurisdiction of the committee includes matters related to the appropriation and expenditure of funds, fiscal controls, deposit and investment of public funds, cash flow, economy and efficiency in government, budgetary procedures, and procurement of goods and services and professional, personal, and consulting services. The committee also considers legislation originating in the Senate which is estimated to have an impact on expenditures which exceeds \$500,000.

### TYPES OF APPROPRIATION BILLS

- g **General Appropriation Bill** – This bill provides for the annual operating budgets of state agencies, and includes both appropriated funding levels and performance targets for the year. The bill is submitted to the legislature by the governor and must be in conformity with the executive budget. The legislature reviews and modifies the programs and recommended expenditures contained in the bill. Amendments increasing appropriations are generally added in line item form and are subject to gubernatorial veto.
- g **Capital Outlay Bill** – Only the cash portion of the bill is reviewed and amended by the Appropriations Committee. The bond portion of the bill is within the jurisdiction of the House Committee on Ways and Means.
- g **Ancillary Appropriation Bill** – This bill provides for appropriation of funds as working capital for the financing of business enterprises conducted by state agencies, such as self-insurance programs, prison enterprises, cafeterias and printing centers. Appropriations are made out of special revolving working capital funds into which revenues from the operation of these enterprises are deposited, and from which allotments are made.

- g **Legislative Expense Bill** – The expenses of the legislature and its service agencies including House Legislative Services, Senate Research Services, the Legislative Auditor’s Office, the Legislative Fiscal Office, the Law Institute, and other support services are appropriated by means of the legislative expense bill rather than the general appropriation bill. **The Legislative Budgetary Control Council** is charged by law (R.S. 24:38) with the responsibility of reviewing and controlling the budget and expenses of the legislature and its agencies. The council is composed of ten members: the president of the Senate, the president pro tempore of the Senate, the speaker of the House, the speaker pro tempore of the House, the chairman and one member of the Senate and Governmental Affairs Committee, the chairman and one member of the House and Governmental Affairs Committee, the chairmen of the House Appropriations and Senate Finance Committees, and, ex officio, the clerk of the House and the secretary of the Senate.
- g **Judicial Expense Bill** – The appropriation for the expenses of the judiciary, including the supreme court, courts of appeal, district courts, and other courts, is also provided for in a separate appropriation bill. The budget preparation and expenditure control function is vested in the **Judicial Budgetary Control Board**.
- g **Judgment Bills** – Final judgments which are not paid through the risk management program require an appropriation of funds by the legislature for payment. Appropriations Committee staff review and authenticate documentation involved in the judgment, and bills appropriating funds to pay the judgments are reviewed by the Appropriations Committee.
- g **Other Appropriation Bills** – These include special noncontinuing expenses of the state, including recommendations by the Board of Tax Appeals to pay awards rendered by that board. Unanticipated expenses in excess of allotted monies from the current fiscal year may be provided for in a **supplemental appropriation bill**.

#### INTERIM BUDGET PROCEDURES

##### JOINT LEGISLATIVE COMMITTEE ON THE BUDGET

The Joint Legislative Committee on the Budget (Budget Committee) is composed of the members of the House Committee on Appropriations, the Senate Finance Committee, and the chairmen of both the House Ways and Means and Senate Revenue and Fiscal Affairs Committees or their designees from the members of those committees.

## AVOIDANCE OF BUDGET DEFICITS

During the interim the committee is authorized to approve or disapprove transfers of funds and budget adjustments through the BA-7 process, and to approve requests for use of interest earnings and for change orders for capital construction projects. The committee is also extended broad authority to interpret and oversee implementation of legislative intent regarding fiscal and budgetary matters.

The committee may hold hearings each year to review budget requests and the recommended executive budget, and report its findings and recommendations two weeks prior to each regular session.

The division of administration submits a **budget status report** each month to the Budget Committee. This report presents the balance of the budget for the state general fund and dedicated funds by comparing the official forecast of the Revenue Estimating Conference to the total appropriations for each fund. If the report indicates that the total appropriation from any fund will exceed the official forecast for that fund, the committee is required to notify the governor that a projected deficit exists for that fund.

Upon such notification that a deficit exists, the governor may use his interim budget balancing powers to adjust the budget for any program that is from a fund that is in a deficit posture. The governor's interim budget balancing powers include:

- g The governor may direct the commissioner of administration to reduce appropriations for the executive branch for any fund that is in a deficit. Such reductions shall not exceed three percent of total appropriations for any budget unit.
- g If the governor has reduced state general fund appropriations by at least seven-tenths of one percent in the aggregate, the governor may direct the commissioner of administration to reduce any appropriation, including those that are constitutionally protected or mandated, by an amount not to exceed five percent in the aggregate from that fund. Any reduction to the MFP pursuant to this authority is limited to one percent, which shall be applied to non-instructional activities. This adjustment requires prior approval of the Budget Committee.
- g The governor may also issue freeze orders prohibiting the expenditure of monies for specific items.
- g If within thirty days of the determination that a projected deficit exists, the governor has not made the necessary adjustments in appropriations to eliminate the projected deficit, the governor shall call a special session of the legislature for that purpose unless the legislature is in Regular Session.



**INTERIM  
EMERGENCY BOARD**

The Interim Emergency Board (IEB), composed of the governor, lieutenant governor, state treasurer, the presiding officer of each house of the legislature, the chairman of the Senate Finance Committee, and the chairman of the House Committee on Appropriations, or their designees, **may appropriate money** between legislative sessions from the state general fund or may borrow on the full faith and credit of the state an amount necessary to meet an emergency. The total amount of such debt and appropriations must never exceed one-tenth of one percent of total state revenues for the previous fiscal year. Such appropriations or borrowing can only be made with the **written consent of two-thirds of the elected members of each house** of the legislature and only for emergencies which are defined by the constitution as events not reasonably anticipated by the legislature. An “event not reasonably anticipated” is defined as one not considered and rejected, in the same relative form or content, by the legislature during the preceding session either by specific legislative instrument or amendment.

# THE CAPITAL OUTLAY PROCESS

## *The Capital Outlay Process and the Legislature's Role in Deciding Priorities and Funding of Construction Projects*

The constitution requires the governor to submit to the legislature in each regular session a **five-year capital outlay program** with a request for implementation of the first year of the program. The budget the governor presents to the legislature is composed of two types of construction: (1) highway and public works construction; and (2) building and other construction (*Const. Art. VII, §11(C)*).

### PRIORITY PROGRAMS

Appropriations for construction of state highways, flood control projects, airports, and ports are made pursuant to priority programs established by law. These projects are evaluated by the Department of Transportation and Development (DOTD) and submitted for review to the Joint Legislative Committee on Transportation, Highways and Public Works. The joint committee reviews the projects and holds public hearings throughout the state. After consideration of the findings and recommendations of the joint committee, the department proposes the final program for the upcoming fiscal year.

### REQUESTS AND EVALUATION

**All requests** for construction of buildings and other construction must be submitted to the division of administration prior to **November 1** of each year. Requests by local governmental agencies and other nonstate entities shall be endorsed by either the senator or the representative in whose district the project will be located. No project requested after the November 1 deadline may be funded in the capital outlay bill unless approved by the Joint Legislative Committee on Capital Outlay or approved as an emergency project by the commissioner of administration or as an economic development project by the secretary of the Department of Economic Development.

All capital outlay projects must be evaluated through a feasibility study prior to inclusion in the capital outlay bill enacted by the legislature. Except for those projects evaluated by DOTD, completion of the request forms and subsequent evaluation by the facility planning and control section of the division of administration constitute compliance with this requirement. Recommendations for inclusion of projects in the bill are also made by the Joint Legislative Committee on Capital Outlay.

From these sources the governor decides which projects are to be included in the **capital outlay budget** and included in the **capital outlay bill** presented to the legislature for the regular session. Projects included in the bill may be funded by cash sources such as the state

general fund, self-generated funds, and other state and federal funds or by the sale of general obligation bonds or other bonds.

#### LEGISLATIVE PROCESS

The capital outlay bill is heard by the House Appropriations Committee and the Senate Finance Committee to make cash appropriations; and the bill is heard by the House Ways and Means Committee and the Senate Revenue and Fiscal Affairs Committee to appropriate proceeds from the sale of bonds. Authorization for the sale of the bonds to fund construction is contained in the **Omnibus Bond Authorization Act** which is a companion bill to the Capital Outlay Act and requires a two-thirds vote of each house. This bill is only heard in the House Ways and Means Committee and the Senate Revenue and Fiscal Affairs Committee.

#### FUNDING ORDER

Projects funded by general obligation bonds are divided into priorities numbered one through five. Priority 1 is generally limited to reauthorizations of certain previously authorized projects and commitments made to higher education desegregation settlement requirements. Priority 2 is generally reserved for completion of projects already under construction or for projects which will be ready to begin construction during the first and second quarters of the fiscal year. Priority 5 is reserved for dollar amounts which can be approved for a noncash line-of-credit in order to sign contracts for the entire amount of a project even though the total amount will not be required for cash payments in the upcoming fiscal year. In addition, projects identified as "Not Requiring a Priority" are funded through a reallocation of bond proceeds from projects which are completed and came in under budget.

The Act requires that before any project listed in Priority 2 is funded or receives a line-of-credit, all projects in Priority 1 must either be funded or be declared "Impossible or Impractical" by the State Bond Commission. During the interim between legislative sessions, the priority of a project can be changed or the project description adjusted only by majority vote through an Interim Emergency Board ballot.